

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 ABF-01 FS-01

DRC-01 IGA-02 ARAE-00 /167 W  
----- 076853

P R 221255Z JUL 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 6020

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN SALVADOR 2905

E.O. 11652 - GDS

TAGS: EFIN, ES

SUBJECT: SALVADORAN FOREIGN EXCHANGE RESERVES/RUMORED DEVALUATION

GUATEMALA ALSO FOR ROCAP

1. IN RECENT MONTHS THE BUSINESS COMMUNITY HAS KEPT ALIVE THE RUMOR OF A DEVALUATION OF THE COLON. WHEN CENTRAL RESERVE BANK (BCR) PRESIDENT SUAREZ MADE A SPECIAL POINT JULY 11 AT THE OPENING CEREMONY OF THE BCR'S FORTIETH ANNIVERSARY OF ASSURING AGAINST SUCH A MEASURE IT ONLY STIMULATED THE RUMOR. AT LUNCH JULY 19, THE PRESIDENT OF ONE OF THE COMMERCIAL BANKS TOLD AN EMBOFF THAT SUREZ TOLD HIM NET INTERNATIONAL RESERVES (NIR) CURRENTLY STOOD AT \$18 MILLION. THE SAME DAY, ANOTHER EMBOFF LEARNED FROM AN OPPOSITION DEPUTY SOURCE THAT THE LEGISLATIVE ASSEMBLY WOULD CONSIDER IN THE NEXT WEEK A BILL TO DEVALUE TH COLON BY 30 PERCENT.

2. ACCORDING TO FIGURES PROVIDED THE EMBASSY BY THE BCR, THE BCR'R  
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NIR WAS \$70.1 MILLION AND ON JUNE 28 IT STOOD AT \$61.4 MILLION.

THAT OF THE ENTIRE BANKING SYSTEM WAS \$62.1 MILLION. THE  
BCR ROLLED BACK EFFECTIVE JULY 15 EXCHANGE CONTROL LIMITATIONS  
ON FOREIGN TRAVEL FROM A MAXIMUM OF \$2,100 PER ADULT FOR 10 DAYS  
TO \$600. THE BCR ALSO HAS REDUCED THE LINE OF CREDIT FOR RAW  
MATERIAL INVENTORIES, AN OBVIOUS ANTI-IMPORT MEASURE. THE FINANCE  
MINISTRY IS STUDYING A PROPOSAL TO DISCOURAGE AUTOMOBILE  
IMPORTS. BUT IF THE NIR FIGURES ARE TRUE (EQUALLING A MONTH AND  
A HALF IMPORTS VALUE) ALL THESE ACTUAL AND CONTEMPLATED MEASURES  
WOULD BE CONSIDERED WITH GOES EXPRESSED PLANS TO TIGHTEN UP  
TO PROTECT FOREIGN EXCHANGE AND WOULD NOT BE SUFFICIENT TO  
JUSTIFY A REASONED DEVALUATION.  
CAMPBELL

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
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**TAGS:** EFIN, ES, CENTRAL RESERVE BANK, (SUAREZ)  
**To:** STATE  
**Type:** TE  
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